

SPECIAL SERVICE AREA NUMBER 47

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2014

SPECIAL SERVICE AREA NUMBER 47

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FOR THE YEAR ENDING DECEMBER 31, 2014

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Independent Auditor's Report

To the Commissioners of Special Service Area Number 47

We have audited the accompanying financial statements of Special Service Area Number 47 ("SSA"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the SSA's basic financial statements as listed in the table of contents.

The financial statements presented to present only the Special Service Area Number 47, and do not purport to, and do not present fairly the financial position of Quad Communities Development Corporation, as of December 31, 2014 and the changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area Number 47 as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principle generally accepted in the United States of America requires that the statement of revenues and expenditures-budget and actual on pages 9 to 11 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient to evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SSA's basic financial statements. The summary schedule of findings is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The summary schedule of findings is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summary schedule of findings is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The summary schedule of findings has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Alexander Mannie & Company, P.C.

Matteson, Illinois

April 20, 2015

SPECIAL SERVICE AREA NUMBER 47

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AS OF DECEMBER 31, 2014

<u>ASSETS</u>	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash	\$ 36,751	\$ -	\$ 36,751
Property tax receivables, net of allowance	310,328	-	310,328
Prepaid expense	<u>243</u>	<u>-</u>	<u>243</u>
Total Assets	<u>\$ 347,322</u>	<u>\$ -</u>	<u>\$ 347,322</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 11,050	\$ -	\$ 11,050
Due to affiliate - QCDC	<u>14,249</u>	<u>-</u>	<u>14,249</u>
Total Liabilities	<u>25,299</u>	<u>-</u>	<u>25,299</u>
 <u>DEFERRED INFLOWS</u>			
Deferred property tax revenue	253,872	(253,872)	-
 <u>FUND BALANCES/NET POSITION</u>			
Non-spendable:			
Prepaid item	243	(243)	-
Unassigned	<u>67,908</u>	<u>(67,908)</u>	<u>-</u>
Total Fund Balance	<u>68,151</u>	<u>(68,151)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 347,322</u>		
 Net Position			
Restricted		<u>322,023</u>	<u>322,023</u>
Total Net Position		<u>\$ 322,023</u>	<u>\$ 322,023</u>
 Amounts reported for governmental activities in the statement of net position are different because:			
Total fund balance-governmental funds			\$ 68,151
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the property tax is deferred as it is not available in the government funds.			<u>253,872</u>
Total net position-governmental activities			<u>\$ 322,023</u>

The accompany notes are an integral part of these financial statements.

SPECIAL SERVICE AREA NUMBER 47

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2014

REVENUE:	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Tax levy revenue	\$ 311,744	\$ (10,980)	\$ 300,764
Interest income	<u>6</u>	<u>-</u>	<u>6</u>
Total Revenue	<u>311,750</u>	<u>(10,980)</u>	<u>300,770</u>
 EXPENDITURES/EXPENSES:			
Advertising & Promotion	82,912	-	82,912
Public Way Maintenance	98,841	-	98,841
Public Way Aesthetics	57,338	-	57,338
Tenant Retention/Attraction	8,967	-	8,967
Personnel	64,519	-	64,519
Admin. Non-Personnel	34,022	-	34,022
Loss collection	<u>18,947</u>	<u>-</u>	<u>18,947</u>
Total Expenditures/Expenses	<u>365,546</u>	<u>-</u>	<u>365,546</u>
Excess of expenditures over revenues	(53,796)	53,796	-
Change in Net Position	-	(64,776)	(64,776)
Fund Balance/Net Position:			
Beginning of year	<u>121,947</u>	<u>264,852</u>	<u>386,799</u>
End of year	<u>\$ 68,151</u>	<u>\$ 253,872</u>	<u>322,023</u>
 Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balance-governmental fund			\$ (53,796)
Property tax revenue is recognized in the year it is levied rather than when it is available for government funds			<u>(10,980)</u>
Change in net position-governmental activities			<u>\$ (64,776)</u>

The accompany notes are an integral part of these financial statements.

SPECIAL SERVICE AREA NUMBER 47

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Note 1 - Summary of Significant Accounting Policies

(a) Reporting Entity

Special Service Area 47 (“SSA”) provides services on behalf of the City of Chicago (“City”) within a specified geographic area. These services include promotional and advertising, maintenance of the public way, safety, and other functions. The SSA is exempt from federal income tax under Section 501 (c) (3) of the internal revenue code.

(b) Government-Wide and Fund Financial Statements

The financial statements of SSA have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

Government-Wide financial statements (statement of net position and statement of activities) are prepared using the economic resources measurement focus and accrued basis of accounting for all of the SSA’s activities. The Fund Financial Statements, which focus on the SSA’s governmental funds current financial resources measurement focus, are prepared on the modified accrual basis.

The SSA accounts for its activities in one fund, its general fund.

(c) Measurement Focus, Basic of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the accrued basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied.

The governmental fund financial statements are prepared on the modified accrual basis of accounting with only current assets and liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available to finance expenditures of the current period. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end. Expenditures are recorded when the liability is incurred.

SPECIAL SERVICE AREA NUMBER 47

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2014

Note 1- Summary of Significant Accounting Policies (continued)

(c) Measurement Focus, Basic of Accounting and Financial Statement Presentation
(continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. According, actual results could differ from those estimates.

(d) Assets, Liabilities, and Net Position

Cash, cash equivalents and investments

The SSA 's cash and cash equivalent are considered to be cash on hand, demand deposits, and short-term investments with original maturities, and short-term investments with original maturities of three months or less from the date of acquisition. Presently, SSA does not have any short-term investments.

Receivables

All property tax receivable are shown net of allowances. As of December 31, 2014, the SSA does not have an allowance for property tax receivable.

Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Fund Equity/Net Position

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by enabling legislation or an outside party. Committed fund balance is a limitation imposed by the SSA board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SSA board. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four categories.

SPECIAL SERVICE AREA NUMBER 47

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

(d) Assets, Liabilities, and Net Position (continued):

Fund Equity/Net Position (continued)

When both restricted and unrestricted fund balances are available for use, it is the SSA's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balance is reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position is reported as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt, if applicable, is comprised of the net capital asset balance less any related debt. Restricted net position is when restrictions are placed on net assets from 1) externally imposed by creditors, grantors, contributors, or laws or regulations of the governments or 2) imposed by law through constitutional provisions or enabling legislation. The remaining net position is classified as unrestricted.

Note 2 - Cash and Cash Equivalents:

Cash and cash equivalents are subject to custodial credit risk in the event of a bank failure, the SSA deposit may not be returned. The SSA maintains its cash in bank deposit, at times, may exceed FDIC insured limits. The amount of cash that exceed FDIC insured limits is \$0 as of December 31, 2014.

Note 3 - Property Taxes

Property taxes become an enforceable lien on the real property on January 1 of the year it is levied. Taxes are payable in two installments in the subsequent year. The first installment is an estimate based on the prior year billed (55%) and is due in March. The second installment is due on August 1, or 30 days from the mailing of the tax bills if issued later than July 1. The second installment is based on the remaining amount of the levy on file with the County. Bills are issued and collected by Cook County who remits the SSA's share to the City who then remits the monies to the SSA.

SPECIAL SERVICE AREA NUMBER 47

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2014

Note 4 - Related Party Transactions

SSA is affiliate with Quad Communities Development Corporation, which provides certain administrative services for SSA. As of December 31, 2014, \$14,249 was payable for services provided. The balance resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments are being made.

SUPPLEMENTARY INFORMATION

SPECIAL SERVICE AREA NUMBER 47

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013		Variance
	Budget	Actual	Budget	Actual	
REVENUE:					
Property taxes	\$ 300,000	\$ 311,744	\$ 300,000	\$ 300,000	\$ -
Carryover	60,500	-	-	-	-
Late collections	17,000	-	10,968	10,968	-
Interest income	-	6	-	5	5
Total Revenue	377,500	311,750	310,968	310,973	5
EXPENDITURES:					
Advertising & Promotion					
Website and social media	5,000	1,850	500	2,129	1,629
Public and/or media relations	5,000	2,299	2,500	6,148	3,648
Special events	11,676	48,049	11,676	13,511	1,835
Display advertising	5,000	7,683	1,500	7,543	6,043
Print materials	7,000	-	5,000	1,762	(3,238)
Customer loyalty program	9,563	6,150	6,500	2,000	(4,500)
Marketing intern	10,500	16,281	-	-	-
Documentary promotion	3,500	600	-	-	-
Total Advertising & Promotion	57,239	82,912	27,676	33,093	5,417
Public Way Maintenance					
Sidewalk cleaning	100,000	96,770	95,000	92,746	(2,254)
Sidewalk power washing	3,000	1,250	-	-	-
Supplies	-	271	-	-	-
Liability/property insurance	500	-	-	-	-
Big belly maintenance	3,000	550	5,000	-	(5,000)
Total Public Way Maintenance	106,500	98,841	100,000	92,746	(7,254)

See independent auditor's report on supplemental information.

SPECIAL SERVICE AREA NUMBER 47

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013	
	Budget	Actual	Budget	Actual
Public Way Aesthetics				
Streetscape elements (include capital installation, maintenance)	2,000	2,254	10,000	16,727
Decorative banner and /or holiday decorations	25,000	28,188	25,000	19,412
Public art	2,000	-	5,000	-
Landscaping (plants, watering, etc.)	22,000	10,412	25,000	18,797
Storage fees	-	-	1,000	-
Liability/property insurance	1,500	380	1,500	1,500
People spots	10,000	16,104	-	-
Total Public Way Aesthetics	62,500	57,338	67,500	56,436
Tenant Retention/Attraction				
Data collection	-	-	500	500
Site marketing (materials, services, etc.)	3,000	-	1,000	8,105
Window decoration	2,000	8,967	-	-
Total Tenant Retention/Attraction	5,000	8,967	1,500	8,605
Façade Improvements				
Façade enhancement program-rebates	8,000	-	-	-
Awning program-rebates	1,000	-	-	-
Intern architect	1,000	-	-	-
Total Façade Improvements	10,000	-	-	-
Parking/Transit/Accessibility				
Supplemental transit (shuttle, trolley, etc.)	1,000	-	-	-
Total Parking/Transit/Accessibility	1,000	-	-	-
SSA District Planning				
Commission development (policy governance, training, etc.)	2,000	-	-	-
Master planning	5,000	-	-	-
Total SSA District Planning	7,000	-	-	-

See independent auditor's report on supplemental information.

SPECIAL SERVICE AREA NUMBER 47

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013	
	Budget	Actual	Budget	Actual
Personnel				
Personnel cost	64,519	64,519	56,296	56,296
Total Personnel	64,519	64,519	56,296	56,296
Admin. Non-Personnel				
SSA annual report	500	500	500	502
SSA audit	3,000	4,500	3,000	4,510
Bookkeeping	2,903	2,910	2,903	2,905
Office rent	10,264	10,264	8,788	8,788
Office utilities	3,000	3,000	4,664	4,664
Office supplies	4,368	4,368	4,368	4,368
Office equipment lease/maintenance	2,145	2,145	2,145	2,145
Office printing	975	975	975	975
Postage	950	950	948	-
Meeting Expense	612	857	612	116
Subscriptions/dues	100	100	400	1,099
Bank fees	50	50	50	30
Miscellaneous	-	-	-	58
Other: merchant services/credit card processing	400	-	200	-
Other: liability insurance	1,000	1,000	1,000	1,000
Other: intern	-	-	7,975	4,024
Other: marketing, advertising, and sponsorship	7,975	-	-	-
Other: training and development	3,500	2,403	3,500	1,602
Total Admin Non-Personnel	41,742	34,022	42,028	36,786
Loss collection	5,000	1,731	5,000	5,000
Loss collection- thereon	17,000	17,216	10,968	10,968
Total Loss Collections	22,000	18,947	15,968	15,968
Total Expenditures	377,500	365,546	310,968	299,930
Revenues (Under) Over Expenses	\$ -	\$ (53,796)	\$ -	\$ 11,043

See independent auditor's report on supplemental information.

SPECIAL SERVICE AREA NUMBER 47

SUMMARY SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2014

We have read the requirements of the Service Provider Agreement between Quad Communities Development Corporation, Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

The total revenues used during the year ended December 31, 2014, were made available from the budgeted sources in amounts specified in the budget.

Finding-1

Per our audit of the bank reconciliation, we noted that outstanding checks totaling of \$6,655.46 and \$4,724.27 were outstanding over one year and 90 days, respectively.

Recommendation

We recommend that these outstanding checks should be investigated and payment stopped at bank, as necessary.

Response

We will investigate those outstanding checks listed to determine status.